

TITLE 710 SECURITIES DIVISION

Final Rule

LSA Document # 05-46 (F)

DIGEST

Amends 710 IAC 1-14-6 to remove the requirement that a branch office must be located no more than forty (40) miles from an office of supervisory jurisdiction and to establish new procedures for regulating these branch offices. Effective thirty (30) days after filing with the secretary of state.

710 IAC 1-14-6

SECTION 1. 710 IAC 1-14-6 IS AMMENDED TO READ AS FOLLOWS:

710 IAC 1-14-6 Branch offices

Authority: IC 23-2-1-15

Affected: IC 23-2-1

Sec. 6. (a) Any broker-dealer ~~that maintains its principal an office or one (1) or more branch offices in Indiana shall~~ **must** designate ~~one (1) or more of such another offices to act as the~~ as offices of supervisory jurisdiction **for that office**. Each branch office in Indiana shall be supervised by a person ~~maintaining his principal place of business at an the office of supervisory jurisdiction in Indiana for that office~~.

(b) The manager of an office of supervisory jurisdiction shall be responsible for supervision of the ~~branch offices~~ designated by the broker-dealer. The manager of an office of supervisory jurisdiction shall be qualified by examination as a broker-dealer under 710 IAC 1-14-2.

(c) The broker-dealer shall notify the division in writing prior to the opening, relocation, or closing of a branch office. **Notice via the Central Registration Depository is sufficient to meet this requirement.** Such notification shall include the following information:

- (1) the address of the branch office;
- (2) the anticipated date of opening, relocation or closing;
- (3) the address of the office of supervisory jurisdiction designated for that branch office; and
- (4) the name of the manager of the office of supervisory jurisdiction.

(d) ~~Every branch office shall be designated as an office of supervisory jurisdiction unless~~ **The broker-dealer must implement the following:**

- ~~(1) no more than two (2) agents are employed at the branch office, and no customer recordkeeping or clearing functions are performed there; or~~
- ~~(2) the branch office is located no more than forty (40) miles from an office of supervisory jurisdiction.~~

(1) The firm must establish and implement procedures and systems for supervision over the activities of agents, employees and Indiana office operations that are reasonably designed to achieve compliance with applicable state and federal

securities laws and regulations.

(2) The firm must provide appropriate initial and periodic refresher training to supervisors, employees and representatives regarding the firm's procedures and systems.

(3) The firm must provide additional specialized training to supervisors in the procedures and systems referred to in subsection (1) above.

(4) The firm must take action to correct misconduct. Such misconduct may be indicated by but is not limited to, activities of unauthorized personnel, churning, unauthorized trading, low level of production by high expenses, garnishment of wages, regulatory actions, prior disciplinary history of one or more customer complaints and recent customer complaints.

(5) The firm must have an adequate system to track and monitor the status of customer complaints as required by NASD rules. Compliance with these rules includes but is not limited to, compliance audits with documentation and corrective action, and prompt review, investigation, and disclosure of customer complaints.

(6) The firm must establish a policy for disciplinary action.

(7) The firm must designate a properly qualified supervisor for each employee at an office.

(8) The designated supervisor must effectively execute any supervisory duties. To that end, the firm must limit the number of employees that a designated supervisor is responsible for at any time in order to ensure that the supervisor can effectively execute the supervisory duties.

(9) The firm must conduct annual compliance examinations, announced and unannounced, of offices with documentation and corrective action.

(10) The firm must establish and implement procedures and systems for reasonable oversight of supervisors.

(e) When a firm designates an office of supervisory jurisdiction, the office of supervisory jurisdiction shall be responsible for the day to day implementation of subsection (d)(1) through (d)(10).

(ef) Every branch office located in Indiana shall be open for inspection and examination by the division. (*Securities Division; 710 IAC 1-14-6; filed June 10, 2005, filed Mar 24, 1986, 3:27 pm: 9 IR 2045, eff Jun 1, 1986; filed May 14, 1987, 2:10 pm: 10 IR 2297; readopted filed Aug 17, 2001, 2:20 p.m.: 25 IR 204*)

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